

ORIGINAL SCIENTIFIC PAPER

FAIR TRADE AS A SOLUTION FOR INEQUALITY ON THE GLOBAL MARKET - CORPORATE PERSPECTIVE

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ABSTRACT New alternatives to free trade are evolving at the global market; their aim is to bring more ethics and morality into the relations between the trading parties (producers, corporations and buyers). This article analyses one of such alternatives i.e. Fair Trade from the perspective of influencing change of corporate politics. Due to the rising awareness of buyers about the origin of goods and the initiatives of forcing corporations into changing their practices based on unethical treatment of workers in the 3rd world countries, alternative ways of trade are becoming part of traditional corporate environment in the free trade chain. By elaborating fundamental principles of certification process, the article gives an answer to the question of creation of added ethical value in the aspect of positioning corporations in the “new economy”.

KEYWORDS: *Fair Trade, corporate social responsibility, sustainable development, business ethics*

JEL: F63, O19, Q01

1. INTRODUCTION

Alternative ways of trade and responsible business initiatives are becoming an important part of the globalization process, currently challenging the established practices of supply chains and multinational corporations. Fair Trade and ethical trade are both part of such alternatives getting into focus over past couple of years in context of economic globalization. The two forms have lately gained much in significance because of the ever growing public awareness of the moral obligation of corporations, and the western society as a whole, in facing disputable issues of poverty, assurance of long-term sustainability and environmental concerns. An increased awareness of the so-called responsible trade as the model trade is also the result of an increasingly widely accepted standpoint about the important role of corporations in providing solutions for the detrimental consequences of economic globalization, primarily emerging in the developing countries. The strategic goal of the Fair Trade is to do business with marginal groups of producers and workers, with the purpose to improve their economic standing and to enable those groups to move towards economic self-sufficiency and stability (Moore 2004).

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We often listen about the Fair Trade concept as yet another alternative movement which, in the opinion of many, is just another alternative lifestyle in an abundance of many others having emerged at the time of globalization and an overall worldwide interconnectedness. But the question is: is assurance of long-term sustainability really an alternative lifestyle? Can we even compare it to (sub)cultural movements? Fair Trade is neither a spiritual or religious, nor a (sub)cultural movement. This is not about the quest for self-expression and about distinguishing oneself against the others. Such views of Fair Trade deny its true meaning and purpose, and that is to enable development to the affected parts of the world that in the context of market i.e. “free” economy are put in an unfair position. Fair Trade re-examines the society in which most of the population lives below the poverty line, whilst only a handful of “chosen ones” enjoys wealth and security.

There is a crucial paradox in the very foundations of the free trade: in its attempts to achieve social justice and to change the unfair terms of trade that are detrimental to small producers, Fair Trade uses mechanisms of the very same market that created such inequality in the first place. In other words, Fair Trade is a hybrid - at the same time it's a social movement and an alternative to market structures. It is one of the alternatives with the chance of evolving into a usable model of global trade, as it accounts for all those areas that free trade treats merely as externalities (fair pay for the workers in the developing countries, sustainable development, human rights, etc.). In this paper I will try to present the answer to the question why exactly this form of trade offers a more adequate alternative to the established free trade and with that purpose I am stating the following hypothesis:

H1: Implementation of Fair Trade on the business of corporations creates an additional ethical value and brings a positive change into market relations.

2. THEORETICAL FRAMEWORK

Various concepts of Fair Trade have been used in the past. However, there is still no universally accepted definition. Because of the attempt to implement the global framework, FINE¹ has accepted the following definition:

„Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers - especially in the South. Fair Trade organizations, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade“ (FINE 2001).

Out of this definition, Geoff Moore (2004) singles out six key goals of Fair Trade, dividing them as follows:

- 1) To improve the livelihoods and well-being of producers by improving market access, strengthening producer organizations, paying a better price and providing continuity in the trading relationship.

¹ FINE = informal association for fair trade, established in 1998 through merger of FLO, WFTO, NEWS and EFTA.

- 2) To promote development opportunities for disadvantaged producers, especially women and indigenous people, and to protect children from exploitation in the production process.
- 3) To raise awareness among consumers of the negative effects on producers of international trade so that they exercise their purchasing power positively.
- 4) To set an example of partnership in trade through dialogue, transparency and respect.
- 5) To campaign for changes in the rules and practice of conventional international trade.
- 6) To protect human rights by promoting social justice, sound environmental practices and economic security. (Moore 2004, 73-74).

The above stated definition and goals point at the fact that Fair Trade concept is based on two fundamental components i.e. visions. Firstly, the assurance of a working model of international trade that will bring changes both for manufacturers and for buyers participating in the process. This component illustrates the concept of Fair Trade (for instance internalization of externalities into the price) and the need to develop the awareness of buyers. Secondly, a more radical vision of Fair Trade is to challenge the orthodox business practices not only with campaigns, but also by actually assuming the role of a „tool for modification of the dominant economic model) (Moore 2004).

The main goal of Fair Trade as perceived by Nicholls and Opal (2005) is offering the most gravely disadvantaged producers from the developing countries the possibility to escape poverty, in a way that they are offered access to northern markets under acceptable, and not exploiting terms. The aim is to enable the producers to establish their own production plants and to extend their community through trade. Fair Trade offers a new model of relationship between the producers and buyers i.e. it re-establishes the connection between consumption and production through an innovative supply chain that distributes economic benefits more fairly among all participating parties. This is an attempt to resolve the severe imbalance² of information and power, by facing objectively the failure in many global markets.

Fair Trade operates in a way that is completely different compared to the traditional way whose goal is to maximize revenues by establishing an imbalance in the distribution of power in favour of an institutionalized product buyer. It explains the buyers that with respect to pricing, this form of trade is the only fair way of doing business, and this not only from the perspective of safeguarding the basic survival standards, but from the perspective of enabling development. In context of Fair Trade, trade gains the significance of a development factor that creates numerous positive externalities. In the operative sense, Fair Trade is specifically defined by the following key practices (Nicholls i Opal 2005, 6-8):

- ***Agreed minimum price above market minimum.*** Fair price is set taking into account the local economic circumstances in order to enable producers to generate income that will provide for a decent living. In the small-scale production, Fair Trade Labelling Organization (hereinafter referred to as „FLO“) sets the initial price that covers production costs and the wages of family members and the improvement of

² Imbalance typical of the relationship North - South, buyer - producer

agricultural estates. If fair price of certain goods (e.g. coffee or cocoa) is below that level, the importers of goods from the Fair Trade chain pay a certain minimum price that is above the market minimum and above the world market price. Fair Trade assures that the producers are paid the legal minimum and that work is done in compliance with the standards of the International Labour Organization. Fair price does not only cover production costs, it enables the production to be socially fair and compliant with the environmental protection standards.

- ***Focusing on the development and technical support through payment of the agreed social premium.***³ Social premium assures the implementation of collective development project for the producers, such as building of schools or water supply systems. The owners of small farms are mostly organized into some form of democratic associations deciding about the terms of spending the Fair Trade premiums.⁴ A Social premium is paid to the association and its members vote to decide how it will be utilized. It may be used to build houses, to pay pension funds and to make other social investments. Fair Trade enables the producers to find their way out of poverty through trade, instead of charity and humanitarian aid. While certainly being more sustainable, it also preserves the dignity of producers.
- ***Buying directly from the producer.*** Fair Trade tries to reduce the impact of mediators and other agents in the global supply chains and in that way increase the efficiency and reduce the volume of margins in the value chain. This approach assures more funds for the producers.
- ***Transparent and long-term trade partnership.*** For numerous small producers, the consistency of income is essential to survive. For this reason, Fair Trade assures long-term contracts, so that the producers are not affected by the buyers' short-term. This enables them to plan and to invest into new technologies or plantations that will increase their income and help them develop their business.
- ***Participating, not competing.*** Fair trade encourages the relationship buyer - producer that is built on mutual respect. That is definitely a more effective way to build value for the buyers, leading to a better quality of products and consistency of offer. This kind of approach provides for inclusion of further ethical values of FT⁵ products, which has led to above-average sales results.
- ***Providing for necessary loans.*** Importers have easier access to loans than the producers from the developing countries. Therefore, they are obliged to finance seasonal products in advance in the amount of 60% of end price, which assures a consistent inflow of money for the producers.
- ***Providing for access to market information.*** FT transactions inform the producers about market prices and market trends. FT producers sell most of their

³ Social premium amounts to 10% of product price (Nicholls and Opal 2005).

⁴ For instance for projects within their community, joint investments of the association for the purpose of improvement of manufacturing conditions, participating at trade fairs or development of new products (Nicholls and Opal 2005).

⁵ Further in this text, when talking about the fair trade in the sense of distinguishing products made in that way, the original term Fair Trade (abbrev. FT) will be used.

products to organizations outside FT, and this is why this prerequisite is extremely important for negotiations.

- ***Farmers and workers are democratically organized.*** Inclusion into co-operative, democratically organized associations operating according to the principle of “one farmer, one vote” is mandatory.
- ***Sustainable production.*** All agricultural estates and co-ops must have adequate resources management. Certain pesticides are prohibited for all agricultural estates. A large number of such estates uses FT premium for investments into organic production, which increases the initial price.
- ***No worker abuse in the production process.*** Child labour and slavery are forbidden under any circumstances, the workers must have the right to organize in unions.

Fair Trade is a new approach in the relationship producer - buyer, pleading for equality in the exchange in a partner relationship, emphasized through development, not aggressive plans. Fair Trade recognizes strong differences between the developed countries and the developing ones and pleads for establishing of long-term partnership relations. The organizations focus on producers instead of buyers, which is also the central motive of Fair Trade - within agreed development structures, the purpose of the contract is to maximize income of the producer, not of the buyer (Nicholls and Opal 2005).

2.1. GLOBAL FRAMEWORK OF FAIR TRADE

Most of the organizations participating in the Fair Trade are recognized by national and/or international federations through a system of certification. Such federations coordinate, promote and facilitate the work of Fair Trade organizations.

- *The Fairtrade Labelling Organizations International* (FLO), established in 1997 as an association of three production networks and twenty national initiatives for granting of Fair Trade certificates;
- *The World Fair Trade Organization* (WFTO), established in 1989 as a global association of producers in the global trade network;
- *The Network of European Worldshops* (NEWS), established in 1994, consisting of 15 national associations in 13 different countries around the world;
- *The European Fair Trade Association* (EFTA), established in 1990 as an association of European alternative trade organizations.

These four federations joined together in 1998 into FINE, an informal association with the objective of harmonization of standards and guidelines of Fair Trade.

2.2. STANDARDS AND CERTIFICATES

There are two agencies defining the standards of Fair Trade: IFAT⁶ and FLO. IFAT traditionally participates with artefacts manufacturers selling their products through ATO⁷

⁶ IFAT = International Federation for Alternative Trade.

⁷ ATO = Alternative Trade Organization

channels. Although ATO itself is a guarantee of Fair Trade, IFAT has introduced standards for its members. These standards have been applied since 2002, being checked based on bi-annual self-assessment. The following IFAT standards are valid: creating opportunities for the economically disadvantaged producers, transparency and responsibility, building of capacities, promotion of Fair Trade, paying fair price, equality of sexes, work conditions, child labour and environment (IFAT 2003).

Pursuant to these standards, IFAT grants the licence to use IFAT “Accreditation assessment”. FLO standards are targeted differently: they refer primarily to production standards and not organizational ones as imposed by IFAT.

Standards almost exclusively refer to food products, covering the area of generic standards and product standards. Certification of these products is carried out by an autonomous unit within FLO, granting ISO 65⁸ certificate based on the assessment of product quality.

Within the scope of standards, FLO differentiates the following key goals:

- 1) assure that the producers (at least) cover their production costs,
- 2) provide for additional FT premium that can be invested into projects with the goal of achieving social, economic and environmental protection development,
- 3) build long-term trade partnership and enable producers to have better control over the exchange process,
- 4) set clear minimum and incremental measures in order to assure economically fair and environmentally responsible conditions for production and trade, for all the products certified as Fair Trade (FLO 2015).

For both of these agencies it is important that the standards are developed with the participation of producers.

2.3. INTERNATIONAL AGENCY FOR FAIR TRADE CERTIFICATION - FLO (*Fair Trade Labelling Organization*)

FLO consists of 24 organizations whose objective is to provide for better conditions for producers. Their tasks are the following: setting international standards of Fair Trade, organizing support to producers at global level, developing global strategy of Fair Trade and promoting trade fairness globally. If all the prerequisites have been met, producers are entitled to apply FT certification mark.⁹

⁸ ISO 65 (EN 45011) is the leading internationally recognized certification norm in the area of food products. Global recognition is an indicator of competence of the certifying bodies. FLO applies norms in all areas, which means: 1) implemented quality management helping in continuous improvement of products and services, 2) business processes transparency, full availability of information for buyers and business partners, 3) independent decision-making regarding certification, all clients are equal, 4) issuing of certificates trusted by the market and 5) certification system controlled by an independent party, enabling a continued evaluation of the rules of ISO 65 (FLO-CERT 2011)

⁹ The FAIRTRADE Certification Mark is applied on product packaging, it is licenced by FLO and the national Fairtrade Labelling Initiatives (abbrev. LI). The mark may be applied on a product only upon written approval

Figure 1: Fair Trade mark

Source: Fair Trade Labelling Organization (<http://www.fairtrade.net/>)

The vision of Fair Trade is a world in which all producers enjoy safety and sustainable survival, fulfilling their potentials and making decisions about their future on their own. FLO believes that trade can be the basic driver in the reduction of poverty and sustainable development assurance, but only if there will be more equality and transparency than now. It believes that people are able to overcome the shortcomings and marginalization if they are given more control over their own labour and livelihood, if they are better organized, if they have better resources and support and if they are enabled to access major markets under Fair Trade terms (FLO 2015).

The standards of Fair Trade have been created with the purpose to fight poverty and to strengthen producers in the poorest countries. These standards refer to producers and buyers alike. Key objectives of these standards are the following:

- make sure that producers achieve the prices that will cover the average costs of sustainable production;
- provide for additional FT premium that can be invested into projects for improvement of social, economic and environmental development,
- provide loans for producers when needed,
- simplify establishing of long-term partnership and enable producers to control trade processes,
- set clear minimum and incremental measures in order to assure socially and economically fair and environmentally responsible conditions for the trade with all FT certified products (FLO 2015).

The vision of Fair Trade is a world in which all producers are entitled to a life in safety, in which they are able to fulfil their potentials and to make their own decisions about their future.

of FLO or Fairtrade LI. It is a guarantee that the product meets social, economic and environmental safety requirements set by FLO. The graphic symbol in the mark represents a man with a raised arm, symbolizing the optimism of the producers and the connection between the determination of the producers in the developing countries and the consumers all over the world. Blue sky is connected to green colour which stands for growth. Today, the FAIRTRADE Certification Mark is the most widely recognized social and developmental mark at the global level. It is owned by FLO which also sets the rules for its usage, protecting in that way its members i.e. producers. FLO introduced its mark for the first time in 2002 and it has been used ever since (FLO 2015).

The mission of Fair Trade is to connect buyers and producers through a brand that promotes more fair trade terms and by which those that were neglected in the traditional trade may overcome poverty, establish their position and take control over their lives (FLO 2015).

3. APPLICATION OF THE FAIR TRADE PRINCIPLE ON CORPORATIONS

The Universal Declaration of Human Rights (1948) defines the right to a fair compensation for work as follows: “Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.” (The Universal Declaration of Human Rights, 1948, Article 23).

Max Havelaar is the first world initiative awarded with the Fair Trade certificate. It was established by rev. Frans van der Hoff and the humanitarian Niko Roozen in 1992, because they both lost faith in international donations as a solution to the problem of poor areas. Roozen and van der Hoff believed that buyers would be willing to accept the increase in the price of coffee by 7-15% if they were made aware of the additional ethical value that would be used to improve the livelihood of producers. The Max Havelaar brand emerged from this idea. In co-operation with the local community of Mexican Indians gathered in UCIRI¹⁰ they started producing organic¹¹ coffee. FT UCIRI was first launched¹² in Dutch supermarkets on 15th November 1988, a date bearing special significance for coffee producers, because of the possibility to place products to a broader consumer network. Their entry into traditional distribution circles was a key moment of the strategy set. From their partnership, Max Havelaar and UCIRI offered the following principles to the traditional business ethics:

- 1) Instead of relying on charity and donations, the relationship North - South can be based on openness of the market to small producers in a non-exploiting relationship.
- 2) Product price cannot be determined only based on the supply and demand principle, but should take into account the “integrated” price. This different price enables decent livelihood for the producers, including healthy social and environmental conditions.
- 3) Business ethics of companies can be assessed by using the accreditation system which independently evaluates the conditions of local producers and managerial practices.

¹⁰ Union of Indian Villages in the Isthmus Region where the first Max Havelaar coffee was produced (Auderbrand in Pauchant 2009).

¹¹ The Indians agreed to participate only in the case of organic production and of fulfillment of the following criteria: environmental protection, waste waters management, elimination of pesticides and chemical fertilizers, soil erosion control, recycling, reduction of waste products and usage of natural fertilizers (compost) (Auderbrand in Pauchant 2009).

¹² Until then, FT products could be purchased only in specialized stores (Auderbrand in Pauchant 2009).

- 4) International trade can be encouraged through an alliance of small, independent producers and consumers who are aware of responsible consumption.
- 5) And the last, but not the least: a man reveals the deepest ethical implications only in coexistence with the people living in poverty. Empathy enables the development of the sense of responsibility towards himself and towards others (Auderbrand in Pauchant 2009).

None of the listed characteristics is unique in context of Fair Trade, but Fair Trade is the real example how they can be successfully implemented into the context of international trade.

3.1. Market openness for smaller partners

Fair Trade proves that the relations between countries can be based on mutual respect and not on charity through donations, which puts the disadvantaged party into an inferior position. According to World Trade Organization's calculations, 48% of the poorest countries in the world participate with only 0.4% in the international exchange, so that opening of the market to small producers would prove social responsibility of corporations controlling 2/3 of that market¹³. The true *perpetuum mobile* behind the whole idea of Max Havelaar are actually poor Indians¹⁴. In van der Hoff's opinion, this requirement explains the key cause of the problem: charity treats the poor as objects, not as humans, eradicating Kant's (1785) differentiation between means and purpose¹⁵. From that perspective, Fair Trade is a sustainable alternative to international charity and donations, because it strives to achieve a better balance of wealth in this "globalized world" of ours (Van der Hoff in Audebrand in Pauchant, 2009, str. 345).

3.2. The concept of an integrated whole

The success of Fair Trade proves that product price should not be determined only based on the supply and demand principle, but should include production costs, which enables decent livelihood of producers without powers, including social and environmental conditions. Fair Trade denies the neoliberal theses of Milton Friedman defining the market price exclusively as a result of balance between the supply and the demand (Charlton in Stiglitz 2005). An integrated price, besides covering the production costs, also provides for a decent livelihood of producers and for the development of essential infrastructure. Numerous western corporations directing their production through outsourcing and

¹³ 500 largest multinational corporations make the same income as 48 world's poorest countries (Auderbrand in Pauchant 2009).

¹⁴ Indians explained their standpoint to van der Hoff: „We don't need your charity, we are not paupers. Real support would be if you paid us a fair price for our coffee“ (Auderbrand in Pauchant 2009)

¹⁵ „Act so as to use humanity, both in your own person and in the person of everyone else, at all times also as the purpose, and never only as the means.“ (Kant 1785).

paying their workers miserable wages¹⁶, claim to be opening new jobs in those countries, as if that fact by itself is sufficient from the aspect of their corporate social responsibility. As opposed to them, Fair Trade offers a powerful ethical alternative. FT products are more expensive than the traditional ones, due to smaller volumes of production, of organic production and because of the certification system. The price difference however is justifiable if the stakeholders are aware of the superior quality of FT products compared to the traditionally produced ones. The public has to be aware of the fact that social and ecological efforts are not externalities, but integrated costs that have to be included into the sales price (Charlton in Stiglitz 2005).

3.3. Affirmation of business ethics through accreditation system

Already Marx (1876) recognized the basic human activity, namely that „a man must feed himself to survive“ (Marx, 1987, pg. 638). This activity is endangered in the capitalist system which is very destructive both to workers and to the environment. Today's capitalist food production and exchange point at the fact that those who produce food, as well as the environment in which that food is produced, suffer because of the conditions in which the production and exchange processes take place. The objectives of the Fair Trade movement include the creation of a food production and exchange system that, beyond any doubt, will be based on non-capitalist foundations. Until recently, this process operated as a solidary attempt to connect the producers and buyers in an alternative trade network existing beyond the boundaries of the predominant production and distribution systems. Over the past couple of years, this process has been gradually transforming into a direct confrontation with corporate interests in the food production, with the objective to change corporate policies of product buying. Coffee from Fair Trade is produced and sold as an alternative to the conventional production and exchange process. Key organizations of the Fair Trade network (FLO, TransFair USA, Equal Exchange, etc.) claim that the traditional market has not succeeded to provide for the coffee manufacturers and the environment in the South. This market blurs coffee quality limits and primarily serves the interests of a small number of corporations controlling coffee roasting and its final distribution to retailers (Fridell and others, 2008). The clearest claim of Fair Trade is that traditional production and exchange create the poverty of producers in the South. The relations of power that are present every step of the way in the supply chain affect the distribution of losses, where producers get a very small portion of the final sales amount. Small producers have no negotiating power in the sale of crop to local mediators who often have a monopoly in the transport of crop from agricultural estates to the coffee roasting units (Raynolds 2002, pg. 404). This problem emphasizes even more the fact that the coffee roasting industry is very concentrated; corporations have a huge oligopole power on the world coffee market. „The Big Four“¹⁷, in combination with the German

¹⁶ The multinational corporation Nike has been the target of criticism because of exploiting child labour. In Indonesia, they employed children between 5 and 10 years of age, working 70 hours a week for the daily wage of 0.60 USD (Auderbrand in Pauchant 2009).

¹⁷ „The Big Four”: Nestle, Sara Lee, Kraft and Procter & Gamble (Fridell and others, 2008).

Tschibo, are able to buy off half of the total world coffee crop (Oxfam 2002, pg. 25). Fair Trade was created in order to assure strategic safety of producers, through stabilization of the price of coffee, increased income, assurance of ownership over the land and sustainable environmental protection. Suppliers in the Fair Trade chain buy directly from producers, based on long-term participation agreements. Corporations respond to Fair Trade in two ways: (1) through discreditation of Fair Trade and (2) appropriation of Fair Trade products (Fridell and others, 2008).

Delegitimization: discrediting Fair Trade

„The Big Four“ claim that the Fair Trade movement ignores relevant market forces, emphasizing that the criticism offered by Fair Trade is compassionate, but still naive, because solving of producers' problems would only deepen the market crisis. According to such interpretation, the problem is in fact that Fair Trade has caused a lot of damage to coffee producers setting the minimum price, because it led to excessive supply. Corporations suggest to increase the prices through product differentiation, with the creation of market niches based on the quality of product and with adequate marketing that differentiates brands for the customers (Nestle, 2003, str. 15). The inclusion of special coffees and marketing, as one of the ways of achieving price premium through product differentiation, but with the exclusion of Fair Trade focus on the production process itself, seems like a pretty arbitrary, even a contradictory decision (Fridell and others, 2008, pg. 17).

The priority right of purchase: appropriation of Fair Trade products

Although corporations have been criticizing the Fair Trade methods, they have at the same time adopted some of its goals. Fair Trade has put an emphasis on the pauperization of small farmers and environmental problems caused by large coffee plantations. For this reason, corporation in the coffee sales business have been forced to show compassion towards small producers and environmental problems. A key example of such procedures is the acceptance of a sectorial model of corporate social responsibility. „The Big Four“ emphasize their commitment to corporate social responsibility on their websites¹⁸, documenting each step adopted with the purpose to boost their own reputation in the society, based on improvements of living standards of producers and the sustainable environmental measures. „The Big Four“ have adopted a whole range of measures whose aim is to improve the living standard of producers: philanthropy, direct purchase of coffee from producers, producer training and improvement of working conditions on farms (Fridell and others, 2008).

Fair Trade proposes to assess company ethics through an accreditation system independently evaluating the conditions of local production and of applied managerial practices. The certification mechanism makes it possible for this weak link¹⁹ in the chain

¹⁸ For more information please refer to Nestlé for instance (<http://www.nestle.com/CSV/Pages/CSV.aspx>).

¹⁹ Producers are the weak link in the chain because have no negotiating power and that is why they

(producers) to receive a reasonable share of profits. From the customer's legitimate point of view, certificates are the foundation stone of Fair Trade. After achieving success on several markets, Fair Trade has attracted large corporations who have recognized the possibility of penetrating other markets in this sector. Multinational corporations such as Chiquita, Dole, Del Monte, after the success of Oké bananas, have started to develop defence techniques which include a change of ethical codes, value ladders and corporate social responsibility, and have also introduced internal accreditation systems (Audebrand in Pauchant 2009).

3.4. Awareness of responsible consumption

Fair Trade proves that alternative international trade can operate through an alliance of small, independent producers and consumers who are aware of responsible consumption. From the very beginning, UCIRI producers are people focused on the community whose ultimate goal is to maintain harmony in the world and with the world. The relations with others are based on the proportionality and exchange principles, which they consider to be the normal status of the community's sustainable survival. In these exchanges, the economic or symbolic value is not the one having advantage, but the act of exchange has it. For van der Hoff (2009), the alliance of producers and buyers is the very heart of Fair Trade; this form of trade is at the same time resistance and a proposal. In his opinion, the free trade theory, that should enable a balance between the supply and the demand, underestimates two basic factors: social expenses of producers having no real power on the market and actually being prevented from participating in that market, and the wishes of customers who are getting ever more demanding when it comes to quality of products and the distribution through the production chain they want to get to know better. Producers, distributors and consumers can, through dialogue, jointly set the terms of production and product prices, and this would contribute to the market becoming more transparent and free. Although Fair Trade is often perceived as the counterpart of free trade, van der Hoff (2009) insists that Fair Trade is actually based on the concept of planned and responsible freedom. With the rise from anonymity and with the inclusion into dialogue, producers and consumers can jointly set and define the "rules of the game"; people increase their freedom by accepting responsibility. Due to that, Fair Trade redefines the idea of free trade by reinstating that initial sense of freedom (Roozen and Van der Hoff in Audebrand in Pauchant, 2009, pg. 350).

3.5. Coexistence

Fair Trade pleads that a man can reveal a deep sense of ethics only in coexistence with the people living in poverty. Empathy enables him to develop the sense of responsibility towards himself and towards others. Van der Hoff maintains that only suffering can teach us how to be compassionate: „I am convinced that most of today's morality arises from suffering in the broadest sense of the word - individual, social, cultural and religious. The

are completely unprotected on the market (author's comment).

desire to escape that experience would be like trying to escape from morality itself. (Van der Hoff v Audebrand in Pauchant 2009, 350).

With this statement, he emphasises the fact that suffering is experienced by millions of people on a daily basis, facing it bravely and with dignity. For him, the poor suffering people are the ones providing depth to time, who allow us to re-examine the exploiting economic system, non-inclusive political system and the embarrassing social system. It would be simple if such opinions could simply be attributed to the fact that Van der Hoff was a catholic priest, but even the father of market economy Adam Smith came to the same conclusion; "The tendency to respect, especially to respect the rich and the powerful, and the contempt or at least neglecting of the status of poverty and bad conditions, is the largest and the most universal cause of the corruption of our morality." (Smith 2005, pg. 53).

Van der Hoff pleads for the „management“ of coexistence, embedded into the experience of coexistence with the people without power. It is important to note that in the case of children exploitation, indicated in item 3.2, Nike's CEO apologized and confessed never to have visited that country nor to have tried the coexistence with the people who manufactured his company's products. However, these practices change: more and more companies introduce the practice of visiting the developing countries and getting acquainted with the culture and the workers producing their products. Every student in the MBA programme created by Henry Mintzberg is obliged to spend a month in India, which in his opinion is an unforgettable experience (Mintzberg, 2004).

4. CONCLUSION

The idea of Fair Trade is not new. In economic theory it reaches all the way back to Aristotle and St. Thomas Aquinas. Fairness in relations between unequal partners should be something that goes without saying, something that needs no further discussions. However, free market is free only for the competitive, developed and rich countries. All those people living on the margins of that developed world and marginalized in economic sense, although here we talk about exclusive products that the North cannot produce on its own (coffee, tea, cocoa, bananas and the like). The Fair Trade movement tries to change these relations and to achieve a balance between the North and the South, building these relations on the principles of proportionality and fairness.

This article has confirmed the hypothesis stated at the beginning, because it is evident that the implementation of Fair Trade principles creates an additional ethical value and that it brings positive changes in market relations and in the distribution of power. Fair Trade is definitely a more ethical alternative to traditional trade forms, because it accounts for all those aspects which by traditional trade are treated only as externalities. Social security of the producer should by no means be understood as an externality, but as the very sense of the exchange of goods between the two parties, in which each party gets what it needs. In the traditional trade, this aspect is often neglected and that ultimately neglects morality itself. At the time continuous pressure on business entities from the aspect of responsibility, ethics, fairness and other values, required more and more by the customers, turning to new, fair forms of trade can bring only can only bring positive changes in the perception of corpo-

rations on the market. Fair Trade according to the strictly defined rules of FLO and other government organizations, with a multiple control certification system, enables customers to control the conditions in which product is made, while at the same time creating an additional ethical value for corporations that enables them to keep their customers.

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